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## Forgivable Loan Program

Administered by  
The Department of Economic and Sustainable Development,  
City of Bloomington

### DESCRIPTION

The BEAD Forgivable Loan program is designed to create an incentive to new development in selected areas of the Bloomington Entertainment and Arts District (BEAD). BEAD is a geographically identified and state designated cultural district in the heart of Bloomington's downtown. The BEAD Forgivable Loan program will offer subordinated direct loans from BEAD through the City of Bloomington's Department of Economic and Sustainable Development which can be forgiven with no principal or interest due if the project remains in operation for at least five years. The BEAD loans will require leverage of at least 2 to 1, meaning for every dollar of BEAD forgivable loan there must be two dollars of financing/equity investment. The amount of the forgivable loan will not exceed \$10,000, depending on the targeted area.

Projects eligible for the BEAD Forgivable Loan program will fall into two categories based on geographic location and project type: either **Arts Row** or **Sector-Focused**. **Arts Row** incentivizes creation of certain sector businesses in the Arts Row character district of BEAD: retail, restaurant, arts space or gallery - \$10,000 maximum loan. **Sector-focused** incentivizes the creation of certain sector businesses anywhere in BEAD: retail, arts space, or gallery - \$5,000 maximum loan.

The BEAD loan will be forgiven at a rate of 20% per year for each year that the project remains in operation. The loan is amortized monthly over a 5-year period at a zero percent (0%) interest rate. In the event of default or cessation of the project, the remaining balance shall not be deemed as "forgivable." Monthly principal will be put into an escrow account each month based on amortization schedule. After each project's fiscal year, the applicant will submit a current balance sheet, current income statement, and its most recent federal tax returns to the City of Bloomington to receive the 20% forgivable return for the previous year of operation.

### TIMELINE

Program applications will be accepted on a first come, first served basis beginning July 1, 2011, until current program funding is depleted.

## USE OF FUNDS

Funds can be utilized for qualified capital improvement costs including land acquisition; building acquisition; construction, expansion, or renovation of building; purchase of equipment or inventory; infrastructure improvements and leasehold improvements. Operational expenses will be considered under certain circumstances. Ineligible uses for the funds include but are not limited to debt refinancing, endowment funding or interest on loans, fines, penalties and/or litigation costs.

## FORGIVABLE LOAN TERMS

BEAD forgivable loans will be collateralized to the fullest extent possible, including project-based assets and in some cases other personal or corporate assets. Personal guarantees will be required of any individual who owns 20% or more of an assisted business.

## PROJECT DEFAULT

In the event of project default, the remaining balance shall **not** be deemed as “forgivable” and will be due in full. Occurrences of default include, but are not limited to, the following events:

- The project ceases
- The project fails to maintain regular operating hours
- The project modifies its operation and no longer meets current eligibility requirements
- The project does not follow the approved business continuation plan
- The applicant fails to make regular monthly loan payments and a loan payment is thirty (30) days past due
- The applicant fails to submit and receive approval of annual updates as required

In the event of a default, the Department of Economic and Sustainable Development may deem the loan as not forgivable and due in full. Until full payment is made, the remaining balance will be amortized over the balance of the remaining term at a nominal interest rate of 5% with payment due on a monthly basis. All legal fees incurred for payment collection will be the responsibility of the applicant.

## PROJECT REPORTING

Beginning six (6) months from the date of the loan closing, and annually thereafter, each approved project will be required to provide an annual update on the financial status of its use of the loan and on its implementation of its approved plan and/or other conditions specified by the Department of Economic and Sustainable Development. The business will provide staff with updated financial statements (income statement, balance sheet) that certify the uses of the forgivable loan and the current financial status of the project. ESD staff will review this information and may submit it for further review only to the loan review panel if it deems that the conditions under which the loan was approved are not being met. Any full review will take place at a regularly scheduled public meeting. If the project fails to provide this annual update to ESD staff within thirty (30) days of the end of each designated annual period, the loan will be deemed as being in default.

## PROGRAM BOUNDARIES & CATEGORIES

- **Arts Row:** Available to ground-floor tenants located within the boundaries of BEAD’s Arts Row Character District as defined on attached map. \$10,000 loan maximum. Retail, restaurant, arts space and gallery projects are eligible.
- **Sector-Focused:** Available to ground-floor tenants located within the boundaries of BEAD as defined on attached map. \$5,000 loan maximum. Retail, arts space and gallery projects are eligible. Restaurant projects are ineligible outside of Arts Row.

## **BASIC ELIGIBILITY REQUIREMENTS AND DEFINITIONS**

This program is an implementation initiative of the BEAD Strategic Plan. The program is available to new projects in specific sectors that occupy first-floor space and have an active street presence. Both for-profit and non-profit applicants are eligible. Eligible projects must be properly licensed and permitted (if applicable) in order to close on the loan. All current City of Bloomington and Monroe County planning, zoning and building regulations apply. Eligible sectors are defined as follows:

- **Retail:** Business that maintains regular, publicized business hours and in-stock merchandise available for purchase by walk-in customers.
- **Restaurant:** Dining establishment that features primarily table service, open at least 6 days weekly.
- **Arts space:** Space dedicated to production of the arts that maintains regular, publicized business hours.
- **Gallery:** Business that maintains regular, publicized business hours and that displays and/or sells works of art to walk-in customers.

ESD staff will review applications on a first-come-first-served basis for the duration of funding availability. Projects that are recommended for approval will be submitted to a loan review panel for final review and approval. Program funding is limited; loans are subject to the availability of funds.

## **INELIGIBLE PROJECTS**

Formula retail businesses are not eligible. A formula retail business is defined here as a type of retail sales activity or retail sales establishment, including food service, which is required to maintain any of the following: standardized array of services and/or merchandise, trademark, logo, service mark, symbol, decor, architecture, layout, uniform, or other similar feature.

Additional ineligible projects include package liquor stores, tobacco stores, tanning facilities and any other business activity prohibited in downtown by the City of Bloomington's Unified Development Ordinance (UDO). Loans will not be awarded to projects that are under construction, in process or completed at the time of application.

ESD staff will review applications on a first-come-first-served basis for the duration of funding availability. Projects that are recommended for approval will be submitted to a loan review panel for final review and approval. Program funding is limited; loans are subject to the availability of funds.

## **DISCLAIMER**

Neither BEAD or the City of Bloomington Department of Economic and Sustainable Development, nor its affiliates shall be responsible for business consulting, planning, design, or construction of improvements to property; and no warranties or guarantees are expressed or implied by the description of, application for, or participation in the BEAD Forgivable Loan Program. The applicant is advised to consult with the City of Bloomington Planning Department, the Monroe County Building Department, business counselors, licensed architects, engineers, or building contractors before proceeding with application.

## APPLICATION PROCESS

Potential applicants should contact the staff of the Department of Economic and Sustainable Development to evaluate eligibility for the program before scheduling a pre-submittal conference.

1. **Pre-Submittal Conference** – A meeting with an ESD staff member must be held prior to submission of an application. The purpose of the meeting is to acquaint all parties with the scope of the project and any related issues. This meeting also serves to familiarize the applicant with the submittal and review process and the BEAD Forgivable Loan policies. At this meeting the applicant must provide items 1, 2, and 3 of the Application Requirements outlined below.
2. **Initial Project Assessment** – ESD staff will provide applicant with assessment of project viability based on the materials provided.
3. **Submittal of Application** – The official application consists of the material listed under Application Requirements in the order designated. Applications must be submitted and approved prior to the start of the project. Applications may be submitted via email or delivered to:  
BEAD Forgivable Loan Program  
Department of Economic and Sustainable Development  
401 N. Morton St. Suite 130  
Bloomington, IN 47402  
[michaelm@bloomington.in.gov](mailto:michaelm@bloomington.in.gov)
4. **Review Criteria** – Certain factors will be considered when evaluating an eligible loan application. ESD staff or the Loan Review panel may choose to waive one or more of the requirements if they find that public policy so dictates, or if requirement(s) do not apply. Evaluation criteria shall include, but are not limited to the following:
  - Strength of business plan or proposal, including the extent to which proposal enhances Bloomington as an arts and cultural destination.
  - Projected new jobs to be created as a result of the project.
  - Overall projected impact on the economic vitality of the community.
  - Priority will be given to applications that:
    - Retain and attract enterprises that provide permanent jobs.
    - Support social enterprises and not-for-profits in contributing to the economic vitality of the community.
    - Further the Bloomington Entertainment and Arts District Strategic Plan and the sustainable development policies of the City.
  - Nature and extent of equity participation by principal owner(s).
  - Use of funds to leverage other sources of capital including venture, conventional, and grant funds.
  - Nature and extent of security/guarantees.
  - Credit history.
  - Any proposed tax abatements or other city/state-sponsored incentives expected to be received for the proposed project.
  - Compliance and compatibility with the City of Bloomington Unified Development Ordinance; the policies of the Historic Preservation Commission; and the City of Bloomington and Monroe County planning, zoning and building regulations.
  - Projected public benefit.
5. **Review Process and Approval** – The applicant's project will be reviewed in a publicly-noticed meeting by a Loan Review Panel based on ESD staff evaluations. The Loan Review Panel will be comprised of ESD staff; a representative of the City's Legal Department; a representative of Downtown Bloomington, Inc. and a representative of the BEAD Advisory Committee. The loan for the project will be approved or denied at this meeting. In order for the application to be

considered by the review panel, the applicant, or his/her appointed representative must be present at the meeting. An appropriate representative could be any of the project principals, professionals contracted on the project, or someone whom the applicant has identified and to whom the applicant has given authorization to ESD staff.

6. **Loan Closing** – If the project is approved by the Loan Review Panel, the City’s legal counsel will arrange a loan closing meeting. A promissory note will be executed between the Borrower and City of Bloomington prior to release of any funds.

## **APPLICATION REQUIREMENTS**

All applications must include the information listed below. Only complete applications will be considered.

1. **Project Description** – Provide a detailed description of the proposed project, including:
  - a. Applicant name, address, and contact information.
  - b. Category of loan requested: (“Arts Row” or “Sector-Based”)
  - c. Name and description of project.
  - d. Days and hours of operation.
  - e. State the location of the proposed project by street address.
  - f. Approximate square footage of space.
  - g. If applicant is not the property owner, name of the property owner at the time of application submittal.
  - h. Draft five-year cash flow pro forma (see example in Attachment A) including sources of funds or financing, any personal debt sources (including but not limited to loans from personal sources, investors, credit cards, home equity loans, and lines of credit, etc.) – see attached required formatting.
  - i. Any other information needed to explain the project.
2. **Applicant Information** – Provide background information about the applicant and guarantors, including project/business experience, if any, and all other relevant information the review panel may need to consider while reviewing the application. Describe the corporate or partnership structure as applicable.
3. **Use of Funds** – Give a detailed description of the specific proposed uses of the loan funds.
4. **Site Plans** – Applications must include the following materials, if applicable, for consideration. Please provide materials that can be reproduced for distribution to the loan review panel.
  - a. Current photo(s) of property.
  - b. Rendering or sketch of proposed project.
  - c. Architectural plans, including square footage, dimensions/measurements.
  - d. Signage plans.
5. **Business Plan** – Include a complete business plan with five-year cash flow pro forma (see attached required formatting) – along with a narrative showing the project’s ability to service its debt (this may be prepared by the applicant). Copy of any and all information submitted to financial institutions (if applicable).
6. **Financial Information** – Provide financial statements or tax returns on the company for the current and past three years (if applicable).
7. **Project Duration** – Estimated days/months for completion of the project, including start date and completion date..
8. **Business Time Schedule** – State proposed time schedule for the project including the dates anticipated for the following:
  - a. Anticipated lease execution date.
  - b. Anticipated opening date.
9. **Credit References** – Give three credit references for applicant and three for business (if applicable). These are to be from business professionals (not from relatives).

- 10. Civil/Criminal Disclosures** – Please disclose whether any applicant, guarantor, or any other person involved with the project is currently engaged in any civil or criminal proceeding. Also disclose whether any individual involved with the project has ever been charged or convicted of any felony or currently is under indictment. Please supply detailed information.
- 11. Signatures** – Completed, signed, and dated application, which states the name, address, and telephone numbers of the applying entity. Provide the name(s) of the applying entity representatives and any other financial guarantors of the business and their addresses and telephone numbers if different from above.
- 12. Application Certification** – The statement below must be included along with a date signature of the applicant or applicant's representatives:

“This application is made in order to induce the City of Bloomington Department of Economic and Sustainable Development to grant financial incentives to the applicant. The applicant hereby represents that all statements contained herein are true and correct. All information materially significant to the Department of Economic and Sustainable Development in its consideration of the application is included. The applicant expressly consents to the City of Bloomington's investigation of its credit in connection with this application. The applicant acknowledges that it has reviewed the descriptions of the City of Bloomington financial program for which it is applying and agrees to comply with those policies.”

**Applicant Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**OTHER REQUIREMENTS AT LOAN CLOSING**

- Copy of rental lease agreement showing a minimum five-year (5-year) lease term or copy of deed conveying title to the Borrower.

## **BEAD Forgivable Loan Program**

### **Additional Policies and Procedures**

#### **APPLICATION DEADLINES**

- Loan applications will be accepted on a rolling basis until all funds have been committed or until December 1, 2011, whichever is first.
- Applications will be accepted on a first come, first served basis beginning July 1, 2011 through December 1, 2011.
- Completed applications must be received by the Department of Economic and Sustainable Development no later than the 1<sup>st</sup> of the month to be considered before the end of that month. Applications received after the 1<sup>st</sup> of the month will be considered the following month. Incomplete applications will not be presented for review. Incomplete applications will be subject to any new policies or procedures that are adopted by the City of Bloomington.

#### **PUBLIC RECORD**

- Once an application has been submitted to the City of Bloomington, the information contained in the application is a matter of public record.

#### **STAFF AND REVIEW PANEL EVALUATION PROCESS**

- City of Bloomington Department of Economic and Sustainable Development staff will evaluate each application to determine the project's eligibility and recommended loan amount. The applicant will be notified prior to the loan review panel meeting as to the project's eligibility and the recommended loan amount.
- A staff summary of each application and the recommendation for each project will be mailed to the review panel a week prior to their meeting. Copies of each application will also be included.
- Staff will present each application and its recommendation for approval or denial at the scheduled meeting. Applicants will be invited to make brief remarks regarding their project at which time the review panel may ask questions of staff and the applicant before making a decision.
- The review panel will deliberate on the merits of each application, and if in their opinion the project qualifies, the panel may award the loan in full or in a partial amount, depending on fund availability.
- Applicants are notified in writing of the approval or denial of their loan.
- An annual financial report must be presented to the Economic and Sustainable Development Department within thirty (30) days of the end of the designated annual period.

#### **APPROVED LOANS: PROJECT TIMELINE AND REPORTING REQUIREMENTS**

- Once a project is awarded a BEAD Forgivable Loan, the applicant has three (3) months to begin the project. If project does not begin within the 3-month period, the applicant will be notified that the forgivable loan will lapse, and the funds will be returned to the fund pool.
- Once a project begins, the applicant has six (6) months to complete it and open for business. If the business has not opened at the end of the six-month period, the applicant will be notified that the forgivable loan will lapse, and the funds will be returned to the fund pool.
- Applicants whose projects are approved are notified of the loan award date and the beginning of the 3-month compliance period for the project.

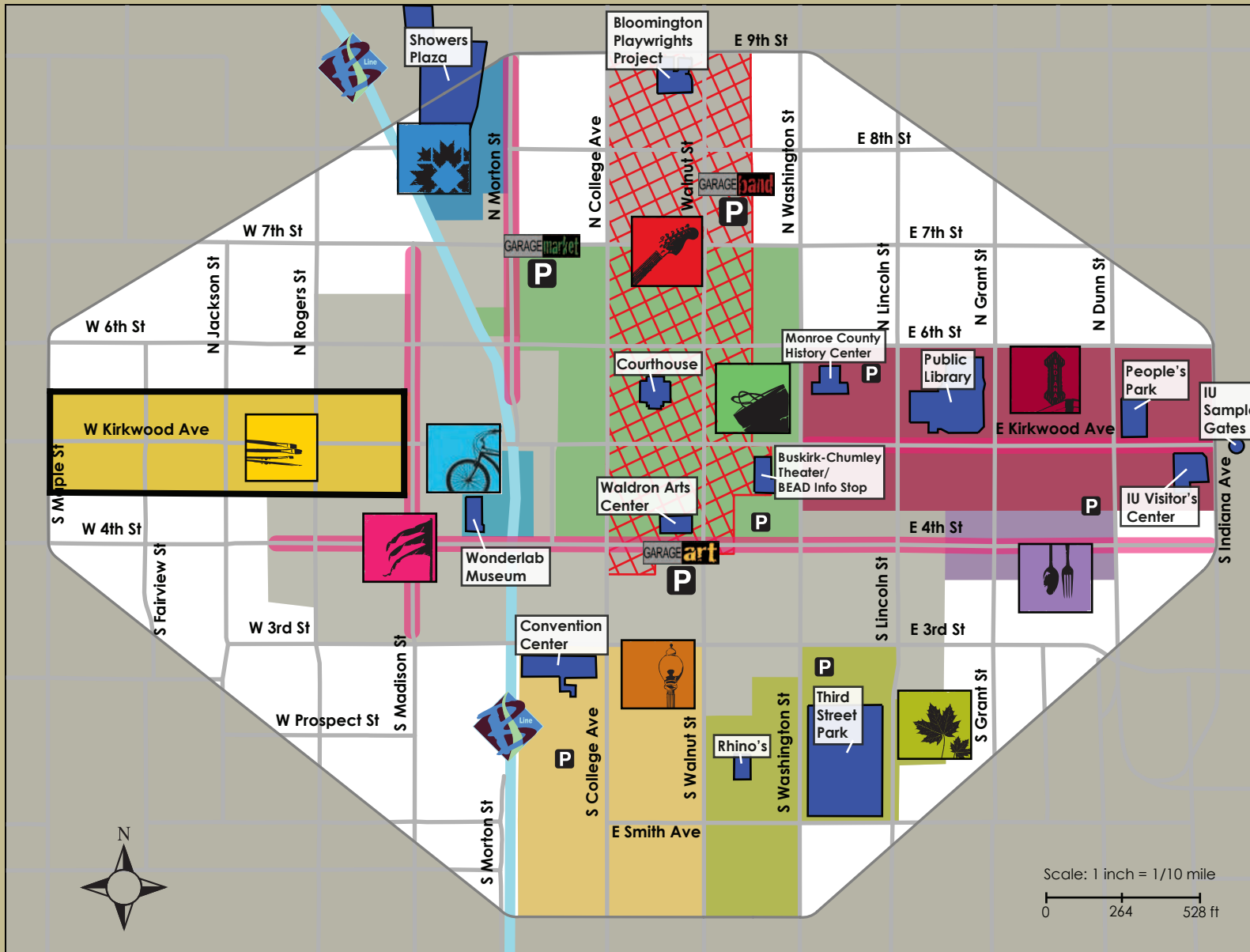
**PROJECT TIMELINE LAPSE/EXTENSION/RE-APPLICATION**

- If an approved project is nearing the three-month or six-month lapse point, an opportunity will be provided for the applicant to request an extension at a Loan Review meeting prior to the end of the period. One extension of three (3) months may be granted depending on the project's circumstances and the future needs for funds in the pool, as determined by the review panel.
- If an approved loan does lapse and is returned to the fund pool, the applicant may re-apply on a first-come-first-served basis. The standard loan application process in use at that time must be followed for a resubmitted application.













**Attachment A:**  
**Example of Projected Five-Year Cash Flow Pro Forma (Retail Example)**

<b>Income</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Gross Sales	#####	#####	#####	#####	#####
Less Returns & Allowances	0.00	0.00	0.00	0.00	0.00
Total Income	#####	#####	#####	#####	#####
<b>Cost of Goods Sold</b>					
Beginning Inventory	#####	25,000.00	25,000.00	25,000.00	25,000.00
Purchases	#####	41,502.16	51,477.12	62,953.20	76,140.99
Total Merchandise	#####	66,502.16	76,477.12	87,953.20	#####
Less Ending Inventory	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00
<b>Total COGS</b>	#####	#####	#####	#####	#####
<b>Gross Profit</b>	#####	#####	#####	#####	#####
<b>Expenses</b>					
Advertising	5,811.60	8,000.00	8,000.00	8,000.00	8,000.00
Equipment	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Fees & Dues	2,257.42	2,800.00	3,000.00	3,200.00	3,500.00
Insurance	1,284.00	1,300.00	1,500.00	1,500.00	1,700.00
Interest Paid-Credit Cards	5413.44	3,000.00	0.00	0.00	0.00
Office Supplies	504.38	600.00	650.00	700.00	750.00
Other Expenses	1,000.00	1,100.00	1,200.00	1,300.00	1,400.00
Packaging	950.00	1,500.00	2,000.00	2,500.00	3,000.00
Rent	#####	24,000.00	24,000.00	24,000.00	24,000.00
Repairs & Maintenance	450.00	300.00	300.00	300.00	300.00
Salaries	465.37	3,500.00	4,000.00	5,500.00	6,000.00
Security 274.00	274.00	274.00	280.00	280.00	
Shipping	1,486.68	2,000.00	2,500.00	3,000.00	3,500.00
Taxes & Licenses	451.97	451.97	451.97	525.00	525.00
Telephone	2,862.26	2,500.00	2,500.00	2,600.00	2,600.00
Travel & Entertainment	2,786.00	3,000.00	3,500.00	3,500.00	4,000.00
Utilities 5,400.00	5,500.00	5,600.00	5,700.00	5,800.00	
<b>Total Operating Expenses</b>	#####	#####	#####	#####	#####
<b>Net Operating Income</b>	#####	#####	#####	#####	#####
<b>Other Income/Expenses</b>					
Other Expenses					
Owner's Draw	#####				
Depreciation					
<b>Total Other Expenses</b>	#####	0.00	0.00	0.00	0.00
<b>Net Income</b>	#####	#####	#####	#####	#####
<b>Debt Services</b>					
Principal-Current Loans	1,410.10	5,000.00	20,000.00	20,000.00	0.00
Principal-COB Loan		0.00	0.00	0.00	0.00
Interest-Current Loans	4,500.00	4,500.00	2,250.00	2,250.00	0.00
Interest-COB Loan	0.00	0.00	0.00	0.00	0.00
Minus CCC Loan Rebate	0.00	0.00			
<b>Total Debt Services</b>	#####	#####	#####	#####	#####
<b>Total Net Income</b>	#####	#####	#####	#####	#####






### Legend

#### BEAD CHARACTER DISTRICTS

-  Youth Area
-  City Commons
-  Festival Streets
-  Show
-  Market
-  Kirkwood Ave
-  Restaurant Row
-  Arts Row
-  Center Corner
-  Arbor

#### LANDMARKS

-  Landmarks
-  One-way Streets
-  B-Line Trail

**P** Public Parking Garages:

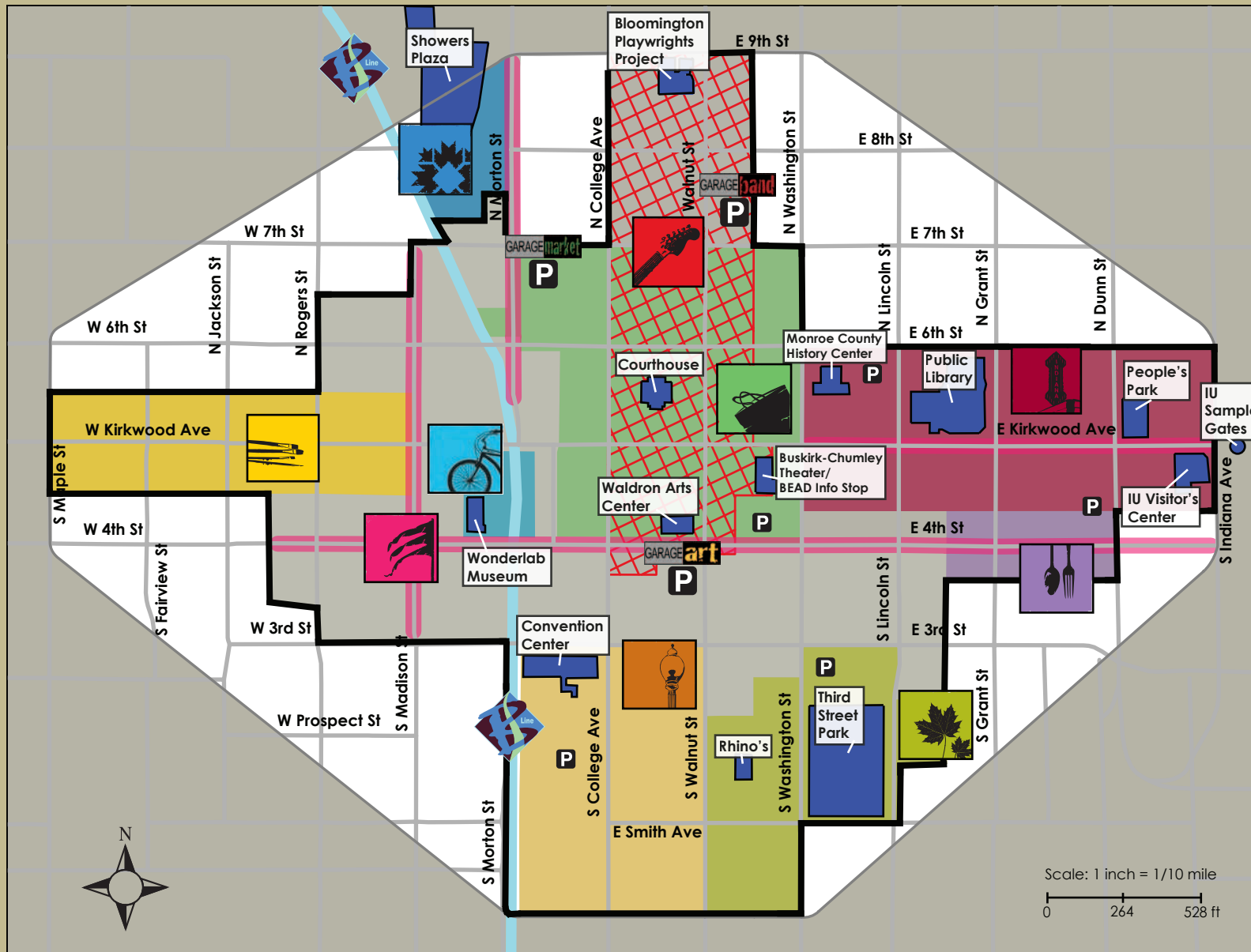
**GARAGE art** 4th & Walnut St

**GARAGE band** 7th & Walnut St

**GARAGE market** 7th & Morton St











**P** Public Surface Lot

## BEAD Forgivable Loan Program Sector-Based






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Scale: 1 inch = 1/10 mile  
0 264 528 ft

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11/25/10